the Law for the Encouragement of Industry are granted irrespective of the locality in which the Industry is to be established or the type of industry embarked upon. Industries established in crowded, highly developed areas are given the same advantages as those established in remote, less developed districts. The manufacturer of producer's goods is treated equally with the manufacturer of consumers' goods and luxury goods. The criteria upon which an industry's claim to benefits is judged stand in need of drastic revaluation.

The limitation of the market in Iraq not only restricts the possibilities of large-scale development of most industries but it affords opportunities for monopoly control by one or two plants in certain fields. The danger of monopoly and exorbitant prices is already in sight in such industries as cement, beer, cotton and woollen textiles. The encouragement of new enterprise in these fields, or the relaxation of state protection to allow healthy competition, or direct intervention by the state to fix prices in relation to costs, is necessary to restrict monopoly power in the interests of the consumer and to preserve public confidence in industry. It is only on the basis of such confidence that the government can continue to give support and material aid to industry. The Iraqi Government has ample powers for dealing with the abuses of monopoly under the provisions of the Law for the Organisation of Economic Life of 1941.

The government can also extend its control over industry and prevent abuses by proper amendments to the law governing joint-stock companies. There is need to restrict the grant of free-shares or "water" shares to promotors, the creation of founders' shares with special powers of voting or percentage of profits, the interlocking of directorships, and abuses on the part of management in respect of purchases of materials and equipment, and sales of finished products. In particular, managers of joint-stock companies should be prohibited from trading on their own account especially in goods related to firms under their management.

The Industrial Bank has often been urged, as a shareholder in many industries, and with its representative on their boards, to exercise control over their price and sales policies. This suggestion derives from the prestige which the Bank has acquired in relation to industrial development. It has undoubtedly helped to iron out many difficulties, to improve management, and prevent abuses. But it is going too far to suppose that the Bank can actual-

: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

to supplement its capital by borrowing and accepting time deposits from certain institutions, their resources have been wholly inadequate to the need.

VIII. Domestic and Foreign Trade and the Balance of Payments

As noted earlier, trade is probably the second most important occupation. To all appearances, the system of distribution is extremely wasteful. Both in the small towns and in the larger cities there are numerous traders with very small stocks of goods, who cannot possibly earn more than an exiguous income, even if their margin of profit is high. The position is, however, not likely to be cured until the general level of incomes rises and there is alternative opportunity for employment.

Iraq produces most of its food, but apart from fuel, tobacco, and some building materials, most of its other requirements must be imported. Even the small local industries and handicrafts depend to some extent on imported raw materials. Much of the trade is therefore foreign trade. Baghdad is the principal center for the import trade and also has a considerable share in the export trade, although Mosul is the main center for the export of wool and Basra for dates and barley.

Although there are a number of large firms, among them several foreign companies, engaged in the export-import business, trade is by no means monopolized, as can be seen from the following table which shows the distribution of import licenses granted:

TABLE 9

IMPORT LICENSES: 1951

Import Quota (ID 000)	Number of Importers		Total Allocation (ID million)
	Baghdad	Other Cities	
100-180	36	18	6.6
50-80	60	24	4.9
20-40	344	147	13.1
5-10	1,015	502	10.4
	1,453	691	34.9

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

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Competition, in fact, is quite keen in bulk commodities like sugar, tea and textiles. There is no organized market, either in export or import commodities, so that, as speculation is rife, prices can swing rapidly upward on the basis of rumored or actual shortage.

TABLE 10

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IMPORTS INTO IRAQ (by value)
(in millions of dinars)

	1938	1947	1948	1949	1950
1. Sugar	0.5	1.7	3.7	2.2	4.8
2. Tea	0.4	2.3	2.1	2.8	2.9
3. Cereals and flour	—	0.2	2.3	1.1	—
4. Other food, beverages and tobacco	0.4	2.0	1.4	1.5	0.9
5. Cotton and rayon piece-goods	1.3	7.7	7.7	6.2	6.4
6. Other textiles and clothing[1]	0.9	4.0	3.4	2.9	3.0
7. Soap and matches	0.1	0.8	1.0	1.0	0.7
8. Cement and timber	0.5	1.6	1.6	1.0	0.4
9. Petroleum products	0.3	0.9	1.6	1.3	1.6
10. Iron and steel	1.1	4.8	5.0	4.9	3.7
11. Automobiles, trucks, and parts[2]	0.5	2.3	2.5	2.7	2.2
12. Machinery; electrical and other transport equipment	1.7	4.4	6.8	7.0	5.9
13. Miscellaneous	1.7	7.3	6.4	5.9	5.2
Total	9.4	40.0	45.5	40.5	37.6
Oil company imports[3]	1.0	5.1	9.5	10.3	8.4
Net	8.4	34.9	36.0	30.2	29.2

[1] Excluding burlap bags, rope, etc.

[2] Including tires and tubes.

[3] The majority of these imports were in categories 9 to 12. For example, oil company imports in these categories were about ID 8,000,000 in 1948 and ID 9,000,000 in 1949, out of a total of ID 16,000,000 in each year. Except for petroleum products, these goods were virtually all for the companies' own use rather than for resale.

Imports

Table 10 gives a list of the principal imports for 1938 and for the last four years. Broadly speaking, categories 1 to 7 represent the principal consumer goods, categories 8 to 12 fuel, building materials and capital equipment, and category 13 some consumer goods and some industrial raw materials. As the footnote to